

AMENDED IN SENATE AUGUST 7, 2006

AMENDED IN ASSEMBLY MAY 26, 2006

AMENDED IN ASSEMBLY APRIL 24, 2006

AMENDED IN ASSEMBLY APRIL 6, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

## ASSEMBLY BILL

**No. 2570**

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**Introduced by Assembly Member Arambula  
(Principal coauthor: Assembly Member Haynes)**

February 23, 2006

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An act to add Sections 7504.5, 13984.3, and 13984.5 to the Government Code, relating to economic development.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2570, as amended, Arambula. Community investment.

Existing law requires that each state and local retirement system submit audited financial statements to the State Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year.

This bill would require public retirement systems with assets over \$4,000,000,000 to include in financial statements specified information regarding investments it *obtains on and after January 1, 2007, and* holds in its portfolio in California and emerging domestic markets within the state. This bill would specify that investments be reported by asset class, fair market value, and percentage of total portfolio.

This bill would state legislative declarations regarding institutional investors, including public pension funds.

This bill would also state the Legislature's intent that, consistent with their fiduciary obligations, other retirement systems with sufficiently diversified portfolios adopt emerging domestic market investment policies that meet their own unique investment objectives.

Existing law vests the Secretary of Business, Transportation and Housing with various administrative duties and functions.

This bill would require the secretary to establish a statewide cooperative partnership with business and industry sectors to develop a strategy to attract new private investment into the state. This bill would further require the secretary to establish an Advisory Committee on Private Investments in California's Future, as specified, to assist in the development and implementation of the strategy and guide the partnership.

This bill would also require the secretary to submit the strategy to the Legislature and the Governor by October 1, 2007, and to update the strategy at least every 5 years.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 7504.5 is added to the Government
- 2 Code, to read:
- 3 7504.5. As part of its annual audited financial statement
- 4 submitted to the Controller pursuant to subdivision (c) of Section
- 5 7504, each state and local public retirement system with assets
- 6 over \$4 billion shall report on investments it *obtains on and after*
- 7 *January 1, 2007, and* holds in its portfolio in California and all
- 8 assets in emerging domestic markets within the state, as defined
- 9 in subdivision (c) of Section 13984.5. Investments by asset class
- 10 shall be reported by fair market value and percentage of the total
- 11 portfolio.
- 12 SEC. 2. Section 13984.3 is added to the Government Code, to
- 13 read:
- 14 13984.3. (a) The Secretary of Business, Transportation and
- 15 Housing shall establish a statewide cooperative partnership with
- 16 the business and industry sectors to develop a strategy to attract
- 17 new private investment to the state.
- 18 (b) (1) In addition to any other group or entity that the
- 19 secretary chooses to consult in preparation of the private

1 investment strategy developed pursuant to subdivision (a), the  
2 secretary shall establish an Advisory Committee on Private  
3 Investment in California's Future to assist in the development  
4 and implementation of the strategy and guide the partnership.

5 (2) The agency shall provide staffing for the committee.

6 (3) The committee shall consist of representatives from the  
7 banking and insurance industries, foundations, corporate and  
8 public pension funds, venture capital funds, community  
9 development financial institutions, and community development  
10 corporations. Representatives should include foreign and  
11 out-of-state, as well as California-based entities.

12 (4) The agency shall use the California Economic  
13 Development Strategic Plan prepared pursuant to Section 15570  
14 to facilitate the development of the implementation strategy.

15 (c) The implementation strategy shall do the following:

16 (1) Assess current trends and opportunities in global and  
17 domestic investment practices.

18 (2) Assess who are the major asset managers by investment  
19 types.

20 (3) Assess how the state can be a greater recipient of foreign  
21 and domestic investment including, but not limited to, key  
22 California businesses and industries, and areas of the state with  
23 capital needs that have been historically unmet, also known as  
24 emerging domestic markets.

25 (4) Include a discussion on how the state could establish a  
26 cooperative private investment marketing campaign.

27 (5) Make recommendations for changes, if any, in applicable  
28 regulations and statutes.

29 (6) Make any other recommendations that the advisory  
30 committee determines are relevant.

31 (7) *Identify opportunities to facilitate community-based efforts*  
32 *to revitalize low-income neighborhoods in the state.*

33 (8) *Assess how the state can utilize New Markets Tax Credits*  
34 *and venture capital guarantees to facilitate wealth creation and*  
35 *low-income neighborhood revitalization.*

36 (d) The secretary may hold business roundtables, conferences,  
37 and use other devices the agency deems appropriate to engage  
38 leaders in the business and industry sectors to develop the  
39 implementation strategy.

1 (e) The secretary shall submit the private investment strategy  
2 to the Legislature and the Governor by October 1, 2007. The  
3 private investment strategy may be part of, or at least consistent  
4 with, the California Economic Development Strategic Plan  
5 prepared pursuant to Section 15570, and updated at least every  
6 five years.

7 SEC. 3. Section 13984.5 is added to the Government Code, to  
8 read:

9 13984.5. (a) The Legislature finds and declares that  
10 investments in emerging domestic markets can provide  
11 appropriate risk-adjusted returns to institutional investors  
12 including public pension funds. In 2000, the boards for  
13 administration for CalPERS and CalSTRS each adopted a  
14 2-percent goal for investments in emerging domestic markets.  
15 These investments have, first, created value for the members of  
16 their retirement system, and second, increased access to financial  
17 capital in historically underserved markets.

18 (b) It is the intent of the Legislature that, consistent with their  
19 fiduciary obligations, other retirement systems with sufficient  
20 diversified portfolios adopt emerging domestic market  
21 investment policies that meet their own unique investment  
22 objectives.

23 (c) For the purposes of this section “emerging domestic  
24 markets” means areas of the state that have been identified by the  
25 California Economic Strategy Panel as having limited access to  
26 capital markets. The Economic Strategy Panel shall develop, in  
27 consultation with the public pension funds with assets over \$4  
28 billion, a definition of emerging domestic markets that these  
29 funds can use to track private investments in California’s  
30 emerging domestic markets. The definition shall be prepared by  
31 October 1, 2007, and updated every five years. The definition  
32 shall be made available through the Economic Strategy Panel’s  
33 Internet Web site.